

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 56th LEGISLATURE - REGULAR SESSION

SELECT COMMITTEE ON JOBS AND INCOME

Call to Order: By Chairman Bob DePratu, on November 23, 1998, at 10:00 A.M., in Room 325.

ROLL CALL

Members Present:

Sen. Bob DePratu, SD 40, Chairman (R)
Rep. Karl Ohs, HD 33, Vice Chairman (R)
Sen. Jon Tester, SD 45, (D)
Sen. Mignon Waterman, SD 26, (D)
Sen. Lorents Grosfield, SD 13, (R)
Rep. Bruce Simon, HD 18, (R)
Rep. Emily Swanson, HD 30 (D)
Sen. Mike Taylor, SD 37 (R)
Rep. Doug Mood, HD 58, (R)
Rep. Carly Tuss, HD 46, (D)

Staff Present: Gordon Higgins, Legislative Services Division
Deb Thompson, Committee Secretary

Schedule of Committee Meeting Dates:

Meeting Dates Posted 11/24/98

Subcommittee on Research
and Development

11/30/98, Room 104 8:00

**Select Committee on Jobs
and Income:**

11/30/98, Room 104 9:30

12/1/98, Room 325 8:30
Public Input

12/7/98, Room 104 9:30

12/8/98, Room 325 8:30

MEETING ON JOBS AND INCOME PROPOSALS

Introduction: Sen. Bob Depratu, Chairman, introduced committee members. The committee was formed to look at proposals, developed through focus groups and the Governor's Office, for developing strategies to improve the prospects for jobs and income in Montana's future. Chairman DePratu noted the work this committee would do would help focus the Legislative process on a presentation of bills for the beginning of the Session. He said this would put the word out that Montana was open for business. He hoped this plan would be of substance and not just a short-term approach. **{Tape : 1; Side : A; Approx. Time Counter : 0 - 6.4}**

Discussion: Committee members introduced themselves and each stated their outlooks. The need for improvement in jobs and income is a positive approach to business, would keep native Montanan's here in the state, and have a broad impact on economic development. The need for livable wages and the reduction of the need for multiple jobs would improve the quality of family life was an important focus. Rep. Simon noted that in order to encourage value added products and similar goals, public policies would need to be improved to make this possible. Rep. Ohs pointed out agricultural problems and the urgency to act quickly.

Informational Testimony:

Governor Marc Racicot encouraged the committee to work on the process of rejuvenating Montana's economy. He pointed to prior work by other task forces in both private and state agencies. The Vision 2005 Task Force, economic development groups and research and development task forces have merged their efforts with job programs to work on specific goals. Those goals included the enhancement of stable and high paying jobs, the attraction of industries into the state, and the creation of employment opportunities throughout Montana as a process and not just a stagnant plan. **EXHIBIT(joh00a01): Investing in Montana Families Booklet {Tape : 1; Side : A; Approx. Time Counter : 6.4 - 17.7}**

Andy Poole, Deputy Director of the Department of Commerce Poole gave a slide presentation on the economic numbers. He pointed out the information was not all positive. The educational system is good but incomes do not provide a living wage. The slides demonstrated that the population growth of ten percent from 1990-1997 was not uniform. In fact, some counties lost population. He pointed out that many people start businesses to create their own jobs; there are not many businesses that employ a lot of people. The strategies in the proposal have a lot to do with

helping small business. Other points in the presentation were that Montana's per capita income was 78% of the national average. Montana has multiple job holders, over the national average, which impacts family units. He noted that the new highway bill will be a bright spot in the economy, growing the construction sector; however, both farming and mining are declining.

{Tape : 1; Side : A; Approx. Time Counter : 19.5}

Poole continued showing income by sector, with most averages trending down. Issues such as the business equipment tax offers no incentive for business. However, tax credits for value added products in manufacturing could boost both jobs and income.

(33.9) Issues differed from place to place around the state so the net result was broad strategies to include these ideas. Some topics were a review from past sessions, ideas built from statewide meetings. The list of proposals included moving the per capita income higher, increase accessibility and affordability of high speed telecom services by 30%; reduce the number of multiple job holders; increase by 25% the number of small businesses who annually receive long term technical assistance; compete in the world economy-which is a critical component of the small business technical assistance arena. Poole noted that the K-12 graduates find the need to create a business but they have not learned finance, legal forms of ownership, etc. Farmers need to learn value added agriculture. On line electronics assistance should be made available to isolated parts of Montana that do not have access. There are seven strategy topics proposed as part of the Governor's Blueprint for Economic Development. Those include: strategic business expansion; market development, high-value products, business technical assistance, skilled workforce, local capacity and taxes and regulations. Improvement for these arenas will mean that Montana's economy isn't about being last.

Ralph Peck, Director of the Department of Agriculture spoke about the future of economic development. He distributed the final report highlights pamphlet, a Final Report booklet on the Vision 2005 Task Force on Agriculture and an objectives sheet.

EXHIBIT (joh00a02)

Peck explained the purpose of doubling the agricultural industry. The recommendations from the Vision 2005 Task Force on Agriculture include business recruitment and assistance, the creation of low-cost, long-term capital for investment in agriculture, agricultural product promotion, shared technology resource transfer to agricultural industry, developing and protecting plant technology, among others.

BUSINESS RECRUITMENT (Jobs and Income Pamphlet, Exhibit 1, p. 15)

Committee Discussion: Sen. Taylor asked Andy Poole to describe how the business recruitment process would function and how they would be tied in with the regional development centers. Poole replied that there is presently no business recruitment functions in the state. He explained that in the 1980's the function existed for several years. They had the ability to respond to questions but did not go beyond this function. Businesses contact the state with their needs and criteria. There is a system of a certified communities program included in the plan. These communities go through a process to characterize the personality of their community. This program is an active network that responds to 250 inquiries a year. He noted that a credit check with Dunn and Bradstreet could be done to certify that the company met the profile of the community. The state acts as an intermediary. **{Tape : 1; Side : A; Approx. Time Counter : 53.4 - 58}**

Rep. Swanson asked what the relationship was to economic development, whether the business could locate in multiple communities or if the resources were shared. Mr. Poole pointed out that the state does not do anything pro-actively. This strategy would have a Governor's Office presence to coordinate the state business personality. Presently, the state has no business image with the exception of a vacation destination. He said a positive business image and a business recruitment campaign was needed.

Sen. Taylor cautioned about creating another bureaucracy. Details of the proposals will be necessary before proceeding. **{Tape : 1; Side : B}**

Rep. Simon asked if communities could look at the criteria companies are looking for and contact the companies directly, such as a database to tap into, so they could tailor proposals to bring that company to their community. Poole said the protocol was already set up. A company looking at expanding rely on the state to fit their criteria. Rep. Simon pointed out that it was not working well. More communities should be able to look at the criteria and convince the company they do fit the profile. It would be a different approach.

Rep. Mood asked for a definition of the term "environmentally acceptable" in the proposals. He noted this was a strong political statement. Poole responded that each community was very different and the focus groups wanted to maintain local determination. He thought the statement could be defined locally, on an individual community basis, rather than by the state. **{Tape : 1; Side : B; Approx. Time Counter : 7.4 - 8.5}**

Rep. Taylor discussed the Idaho regional development centers that were pro-active, who had a successful track record in business recruitment. He noted that with the right set up and tax structure, Montana could have a similar program. He said the regional centers successfully coordinated with the state office. He suggested retired, Fortune 500 people could be recruited to create an infrastructure for regional centers. The main benefits these individuals could offer was their contacts in the business community outside of Montana. He discussed Mr. Potter's qualifications from Idaho and his potential availability to review his programs for the committee.

Poole said he would follow up on committee suggestions and hoped to implement the blueprint proposals to further Montana's success in the increase of Jobs and Income for Montana Families.

Sen. Waterman noted that the addition of FTE in business recruitment in the Governor's Office was vital to have but cautioned that the right hand does not know what the left hand is doing. Poole responded that coordination through the Departments of Commerce and Agriculture and the Extension Services, resources were intended to be for local delivery. Some communities are better equipped. The companies are inquiring but the local folks understand their own community. Sen. Waterman said if staff are added then the committee needs assurance they are working together. **{Tape : 1; Side : B; Approx. Time Counter : 15.8}**

Rep. Tuss said obstacles should not be created. For example, the Community Development Corp - certified communities have done a lot of work but other communities are passed up, yet with a little access they can still be considered. Poole responded that the state is frequently in touch with certified communities. Communities can look at company profiles. The question is can the community look at all the companies that are requesting information.

Rep. Tuss asked whether tourism advisory boards had anything to do with certified communities. Poole responded that tourism is separate from business recruitment. The statute on tourism addresses only tourism and film promotion but business information could be sent with packets.

Rep. Swanson asked for more detail regarding funding requests and a breakdown of the proposals. Poole discussed the comparison document that was being printed which would be available for the next meeting.

Rep. Mood discussed the issue of Mr. Potter from Idaho and if anyone had regarded the issue of a stable political environment

especially in regards to the major initiative process in the state of Montana. **{Tape : 1; Side : B; Approx. Time Counter : 29.7 - 31}**

Rep. Simon talked about recruiting executives that want to retire but become involved in the community. He noted their tremendous resources were in their world wide contacts and their credibility. Poole pointed out a facet of business recruitment might be to contact people that only live in Montana seasonally to perhaps expand their home business into Montana. **{Tape : 1; Side : B; Approx. Time Counter : 31.1 - 33}**

Rep. Ohs summarized the discussion. He asked what the pro-active approach might be. He pointed out the need for more information on the privatization issues and about the need for additional FTE's.

Poole said the information would be available for the next meeting. Since there were some 47 strategies and 80 pages of material, he would prepare three ring binders for committee members. **{Tape : 1; Side : B; Approx. Time Counter : 33.5}**

FINANCE STRATEGIES (Jobs and Income Booklet, Exhibit 1, p.16-22)

Poole discussed the Advanced Silicon Company in Butte and how they had received tax incentives to move into the community. Most companies that are interested in expanding, employ fewer than 50 people but there is no finance program available unless they employ greater than 50 people. The thought was to make the program accessible to rural Montana and they want to change the numbers to 25, maybe even a lower number.

Rep. Simon pointed out that the Board of Investments set the number higher because they are responsible to protect Montana's interests. The process is complicated for small businesses. Small business has more problems with documentation. Poole responded that the credit analysis was no different for small businesses. He said an important issue is the Board of Investment's ability to invest 25% of the Coal Tax Trust fund into Montana up to \$160 million. The board has invested \$100 million into Montana which has created economic activity but not specifically into value added business. If this focus changes, the Board of Investments may need another FTE to help this program.

{Tape : 1; Side : B; Approx. Time Counter : 39.9}

Rep. Simon voiced concerns about the development of irrigation programs and their need to cash flow. Peck responded that feasibility studies concerning growth in agriculture on

Reservation projects show that they do cash flow. With available funding, proper marketing, and irrigation, value added projects have the opportunity to succeed. Rep. Simon noted the problem of soil erosion in the sugar beet industry and the need to convince agriculture producers of the problem. Peck said this was part of the discussion of the 2005 task force. He said a better use of the financing package to provide efficiency for the producers was part of the package.

{Tape : 1; Side : B; Approx. Time Counter : 44.1}

Rep. Ohs asked if financing proposals came out of the 2005 study. Peck responded yes, partly, but they would encourage the Board of Investments to have the ability to achieve the objectives. Enabling the board to invest more in Montana, using value added objectives, plus bonding measures, more could be accomplished.

{Tape : 1; Side : B; Approx. Time Counter : 46.8}

Rep. Swanson noted that the Rocky Boy Irrigation Project used different strategies combining funding issues, which was illustrative of a successful proposal.

John Tubbs, Department of Natural Resources and Conservation, discussed the administration of the loan grant program. He said he was involved in numerous committees on regional water system development and areas of tribal land and he sees growth, especially in the Fort Peck area.

{Tape : 1; Side : B; Approx. Time Counter : 48.2}

Sen. Taylor said the Board of Investments does little to encourage economic development in Montana. He said most venture capital goes east. He pointed out the example of a high tech company with as few as 10-15 employees can produce \$100 million dollars a year. He said it was important to re-think the issue. The number 25 was correct years ago, but not today. The Venture Start company issue is important. If the business tax is excluded for one company, how about existing companies. If the tax is eliminated, perhaps the business will come into the state, but what about a break for current business who have been struggling. It would be only fair to give a break to all businesses. Poole noted the legislation to exclude VentureStar from the business equipment tax was to attract the business to the state.

{Tape : 1; Side : B; Approx. Time Counter : 51}

Sen. Taylor stressed the importance of reforms that would raise the current hog prices from 19 cents to 45 cents and the price of wheat to \$6 a bushel, then he would support financing these projects.

{Tape : 1; Side : B; Approx. Time Counter : 56.2}

Ralph Peck discussed niche marketing and contracting opportunities that would raise the current low hog prices to a much higher market price for a specific niche. These niche markets will be a reality when the business assistance folks and recruiting make it happen.

Chairman DePratu questioned the application process using the number 25 employees in comparison to the SBA application. Poole responded that the Board of Investment process was no different than banking, though they may diverge four different sources of financing to do the job.

Informational Testimony: Sen. Steve Doherty, SD 24, discussed the interim committee work. He said the committee received vast amounts of information on more jobs and higher income with good ideas everywhere. It is important for the public to understand there is equal review of ideas. He noted the need to look at tax incentives that were tied to performance. Other states have had sad experiences of incentives that were not tied to performance. Montana had a strong suit in small business. Incentives, infrastructure for development and a look at the minimum wage were all ideas that should be looked at fairly.

Schedule of Meeting Dates: Committee members discussed the schedule for meeting dates.

{Tape : 2; Side : A; Approx. Time Counter : 5.2}

BUSINESS EQUIPMENT TAX

Mic Robinson, Director Department of Revenue, handed out an initial analysis of the Class 8 Business Equipment exemption of the first \$10,000, plus a memorandum regarding the fiscal impact of extending the SB417 Class 8 tax rate reduction and local government reimbursement program for an additional two years
EXHIBIT (joh00a03).

Robinson discussed the two approaches. He noted the tax rates apply to the calendar year and that would indicate a fiscal year overlap. This detail would be clarified.

{Tape : 2; Side : A; Approx. Time Counter : 28.7}

Rep. Simon noted that two thirds of all businesses in the state were entrepreneurs and the exemption should be considered for these as well. Poole replied that many of these did not pay personal property tax. Under the plan, two thirds of all businesses have less than \$10,000 in total class 8 business equipment and would not pay property tax on their business equipment. When considering growth evaluation, Rep. Simon asked if this translated into jobs and income. Robinson replied there

would be some growth in the business equipment tax but it was difficult to correlate to particular jobs. There was some growth in replacement equipment but expansion would impact income tax revenue.

{Tape : 2; Side : A; Approx. Time Counter : 33.3}

Rep. Simon asked Poole to respond regarding the business equipment tax and entrepreneurs since not having predictability of taxation would impact the state. Pool replied that the Business Equipment Tax is a deterrent to businesses.

{Tape : 2; Side : A; Approx. Time Counter : 35.2}

Sen. Waterman pointed out the need to replace the tax since the demands on the infrastructure of local governments would be impacted, shifting to property tax on individuals.

{Tape : 2; Side : A; Approx. Time Counter : 37.8}

Robinson pointed out an alternative was for the state to reimburse local governments for their loss of revenues. He said that one proposal was to replace the business equipment tax with a business consumption tax.

{Tape : 2; Side : A; Approx. Time Counter : 38.8}

Sen. Tester asked if the 1995 one percent reduction per year in the business equipment tax had any effect on the ability to draw in business in the state. Robinson said he knew of some examples of business expansion because of this reduction. Sen. Tester said it was difficult to see the benefits and asked for additional information regarding the experience of surrounding states. Robinson replied that North and South Dakota had none, Idaho's rate was 1/3 or 1/4 of that of Montana's business equipment tax.

{Tape : 2; Side : A; Approx. Time Counter : 40.9}

Sen. Taylor pointed out that manufacturing was capital intensive and their plants in a fixed location, where cows and equipment in agriculture can be moved around, thereby avoiding being counted. The business equipment tax makes liars out of people. He pointed out that businesses do not object to paying taxes on their profits. He suggested perhaps raising the corporation tax to recover some of this income. He would like to see the business equipment tax to get to zero which would sent a clear message and an improvement in the business climate.

{Tape : 2; Side : A; Approx. Time Counter : 45.8}

Rep. Swanson noted the tremendous impact the elimination of this tax would have on towns, some impacted more than others. She also pointed out the issue of business equipment versus real property and how this was defined.

{Tape : 2; Side : A; Approx. Time Counter : 49.4}

INCREASE BOARD OF INVESTMENTS LOAN PARTICIPATION (Jobs and Income Pamphlet, p.17, Exhibit 1)

Rep. Swanson said here was an area where the Board of Investments could invest in Montana business in an aggressive way. She noted the board has a cap of 25% for investing in Montana business and they were not even meeting that. She realized the board must be prudent in investing in the best areas but asked if there were any proposals to change the criteria. Poole responded that they were not changing the statute but were recommending the Coal Tax Trust invest more in Montana. There is an opportunity to invest in more Montana businesses. Rep. Swanson suggested a criteria of loan approval be tied to the number of jobs created, have a fixed interest rate, lower than market. She said this opportunity was in the state investment act and it simply needed to be recognized.

{Tape : 2; Side : A; Approx. Time Counter : 53.2}

Rep. Simon noted the board could invest 25% of the coal tax prudently. Poole said they could invest up to the ceiling, productively. Sen. Grosfield asked if the focus of this strategy was for the value added issue. Poole responded that the intent was to increase the investment portfolio from two up to ten percent in value added business. Sen. Grosfield noted the importance of tying the value added potential to good quality jobs.

{Tape : 2; Side : A; Approx. Time Counter : 58.1}

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION BONDS (Jobs and Income Pamphlet, p. 18, Exhibit 1)

John Tubbs from the Department explained the strategy to increase the bond authority of the Department of Natural Resources and Conservation to provide more loans to farmers for farm irrigation equipment. He stressed that irrigation development goes hand in hand with value added crops. More acreage is needed to increase production. He pointed out the proposal needs more authority.

Sen. Taylor asked what more authority would cost the state. Tubbs replied the cost was under \$100,000 a year for the program which includes a loan officer. He noted there is a low default rate since the loan is secured with real property.

Sen. Taylor asked about feasibility studies for irrigation. Tubbs replied that money for environmental impact studies were proposed for irrigation but they do not want to take that long, since the delay can mean up to four years. Instead they want to

look at a matching grant program in the \$150 thousand dollar range. Tubbs explained the ten million dollar bond program would include one loan officer, support staff. The cost of doing the bonds was at 1.6% or \$160,000. Tubbs emphasized the mission of the strategy was to help promote irrigation projects.

RENEWABLE RESOURCE GRANTS (Jobs and Income Pamphlet, p.19, Exhibit 1)

Tubbs explained the strategy. This proposal would re-allocate the Resource Indemnity Trust money. He explained the administration costs of managing the trust would be funded by General Fund which would allow more Trust interest to be used for the Renewable Resource Grants Program.

{Tape : 2; Side : B; Approx. Time Counter : 14.1}

VENTURESTAR (Jobs and Income Pamphlet, p. 20, Exhibit 1)

Poole explained there were two proposals, one was to exempt VentureStar from the business equipment tax in order to provide additional incentive for the project. The other proposal would authorize the sale of bonds, paid for from tax revenue derived from VentureStar, to support the development of the VentureStar Spaceport. He pointed out the advantages of Montana in terms of geographics and cost of achieving orbit from higher latitudes.

{Tape : 2; Side : B; Approx. Time Counter : 16.6}

Rep. Simon pointed out the investment on the ground is years ahead, how far would the exemption carry them. Since the impact would be over six years maybe a special bill singling out this company would not be needed. Poole said this may be true but it was important for Montana to show we are serious about wanting them here. The 2000-3000, high-paying jobs, would increase revenues here that otherwise may be lost to another state.

{Tape : 2; Side : B; Approx. Time Counter : 17.8}

SMALL BUSINESS INVESTMENT COMPANY (Jobs and Income Pamphlet, p. 21, Exhibit 1)

Poole explained the need for amending the Montana Capital Companies Act in order to eliminate conflicts between Montana statute and the federal requirements for Small Business Investment Company certification. He pointed out the problem was the science and technology program in MCA 6-30-99 sunsets. It was intended to be for venture capital investment. He explained because the company is a national company they are able to raise private capital and leverage it with federal money. The elimination of statutory conflicts will allow existing venture capital firms access to additional federal funds that could be

invested in Montana companies and potentially increase venture capital available by \$3 million.

COOPERATIVE DEVELOPMENT CENTER (Jobs and Income Pamphlet, p. 22, Exhibit 1)

Ralph Peck, Director, Department of Agriculture, discussed the new age cooperatives. He said the program would require matching funds. He cited the example of the canola growers who benefitted as a group with the

{Tape : 2; Side : B; Approx. Time Counter : 27.1}

Rep. Ohs asked if this program existed or was it an entirely new proposal. Peck replied that one staff and 1/2 time secretary were needed to put the program in place. Sen. Taylor inquired as to whether other marketing assistance proposals could be combined. Peck replied that there was a cross utilization of resources but they try not to duplicate.

{Tape : 2; Side : B; Approx. Time Counter : 28.4}

Sen. Tester asked what the department did to help the cooperatives. Peck replied that they help put the structure together to provide resources to help them achieve their objectives.

GROWTH THROUGH AGRICULTURE (Jobs and Income Pamphlet, p. 23, Exhibit 1)

Ralph Peck explained the strategy was to help develop niche markets. He said the 2005 Task Force had recommended a million dollars a year for growth in agricultural programs in order to reach the goal of doubling agriculture. The need to expand this area was seen as new crop diversification and value added businesses.

{Tape : 2; Side : B; Approx. Time Counter : 33.4}

INCOME TAX CREDIT FOR JOB TRAINING (Jobs and Income Pamphlet, p. 24, Exhibit 2)

Andy Poole pointed out this was a critical time to implement this strategy. As a company is expanding and relocating, this is a way to help them during the learning period of new employees and a new location. Companies looking to relocate look for job training incentives to help them. The proposal would authorize an income tax credit for job training for new employment equal to 50% of the wages paid during a six month period. He suggested that giving direct credit to the kinds of jobs that pay above average wages would actually boost the state economy. He pointed out when you buy at K-Mart, for example, the money goes to the

outside corporation, outside of Montana. More money aimed at companies within Montana will help our economy.

{Tape : 2; Side : B; Approx. Time Counter : 35.3}

Rep. Simon pointed out the need to move up the state average wages. He suggested targeting higher wages linked to value added jobs. Poole said one criteria should be selling value added products out of state which brings their dollars back into Montana.

{Tape : 2; Side : B; Approx. Time Counter : 39.7}

Sen. Waterman suggested tying higher salaries to greater tax credits as an incentive to train for higher level jobs.

ECONOMIC GROWTH (Jobs and Income Pamphlet, p. 25, Exhibit 1)

Poole explained the strategy was to use 25% of the revenue from the Foreign Capital Depository Act for economic development activities. He noted that this program is not licensed yet but they have received 300 inquiries. Applicants pay \$25,000 non refundable fee to apply. There is a lot of investment interest but no license yet. Poole said he was open to suggestions.

DOMESTIC AND INTERNATIONAL TRADE SHOWS (Jobs and Income Pamphlet, p. 27, Exhibit 1)

Ralph Peck discussed the importance of trade shows. He said this one item alone brings Montana companies critical access to outside markets, brokers and new contracts. The proposal would assist small businesses with strategies to expand their markets which will increase sales and profits. They propose to front money for space at national and international trade shows. This assistance would pay for 50% of the booth space which will help them build a market.

IDENTIFY AND DEVELOP SPECIALTY MARKETS (Jobs and Income Pamphlet, p.28, Exhibit 1)

Rep. Ohs asked if this strategy would develop specialty markets. Peck gave examples of the value of developing specialty markets such as the herbs Echinacea and St. John's Wort. This provides opportunity for speciality crops and provides revenue for access to markets.

{Tape : 3; Side : A; Approx. Time Counter : 3.2}

MARKETING SKILLS DEVELOPMENT (Jobs and Income Pamphlet, p. 29, Exhibit 1)

Rep. Simon asked Ralph Peck about the importance of developing domestic markets, such as California, and who would help do that. Peck replied several resource systems were in place such as the Department of Commerce, Montana Economic Development and small business development centers. He commented that the trade centers at the universities are an important resource for businesses. Marketing and trade focus groups can lend their experience to Montana businesses to help market their products. This in turn will help Montana's economy.

{Tape : 3; Side : A; Approx. Time Counter : 6.1}

Sen. Taylor asked about the three proposals of technical assistance, market research and training for businesses. Poole stated the importance of trade shows as an effective way to market businesses. Financing will be lined up, a database developed and training seminars scheduled. Sen. Taylor asked for numbers allocated, how much does the trade show cost, etc.

{Tape : 3; Side : A; Approx. Time Counter : 14.6}

Sen. Tester asked how much money was set aside for experiment stations for high value crops. Ralph Peck replied there was 1.5 million set aside for high value products. He noted problems with Canada but pointed out the opportunities that existed as well, such as contracting and closeness of the international market.

{Tape : 3; Side : A; Approx. Time Counter : 19.3}

FOREIGN INITIATIVES (Jobs and Income Pamphlet, p.30, Exhibit 1)

Peck discussed other opportunities that exist with China as a growing world market. He mentioned the resolution that would be presented for a sister state in Guangxi, China. Montana products can be successfully promoted in this area, as there is a significant opportunity for Montana to increase exports.

IDENTIFY MARKET EXPERTS, DEVELOP NEW LIVESTOCK MARKETS (Jobs and Income Pamphlet, p.31-34, Exhibit 1)

Ralph Peck emphasized the extreme work needed to develop new livestock markets. He said there would be two marketing positions needed. New markets and increased production efficiency are required to maintain and expand the industry.

INCREASE FILM PRODUCTION IN MONTANA (Jobs and Income Pamphlet, p.35, Exhibit 1)

Poole pointed out the competition with Canada. He said Canada was aggressive in offering generous tax credits plus their falling dollar attracted film projects to Canada.

{Tape : 3; Side : A; Approx. Time Counter : 25.9}

Rep. Simon said the provision to provide state-owned property and land at no charge would overstep the mandate to obtain fair market value for use of state properties. Poole replied it was a competition issue.

ALTERNATIVE CROPS (Jobs and Income Pamphlet, p.37, Exhibit 1)

Ralph Peck said Agriculture Experiment Stations need 1.5 million for investment into research that will further high value crops. Sen. Taylor asked if Montana farmers had easy access to that technology. Rep. Simon pointed out the problem that alternative crops may still be on the noxious weed lists. Peck suggested legislation may be necessary to allow weed districts to allow for production of certain herbs.

{Tape : 3; Side : A; Approx. Time Counter : 34.2}

RESEARCH AND COMMERCIALIZATION COMMISSION (Jobs and Income Pamphlet, p.38, Exhibit 1)

Peck explained the need to cash in on research discoveries within the technology development arena to commercialize products. This would help expand the economy and focus on supporting the growth of technology. Peck said in the example of crop issues, there is a need to transfer the technology to the user. He noted that the Governor's Task Force on Research points the need to establish a Montana Technology Commission to help with technology funding.

Rep. Swanson emphasized the need for Montana to be able to compete with other states competing for national grants. She stated the proposal was so big that a subcommittee needs to work on it. She mentioned the work done by the universities and by Linda Reed.

{Tape : 3; Side : A; Approx. Time Counter : 42.3}

Rep. Simon indicated the need for a licensing type of arrangement to retain a portion (royalty) for the cash flow to continue. He said the problem with transferring research technology is then it is sold for a few dollars and the relationship ends. Poole noted that the Governor's task force did acknowledge the need to require licensing agreements rather than continually giving out money.

Sen. Taylor said he needed assurance that this strategy be used to create jobs, not simply academia. Poole replied that the majority of members on the council were private sector business people, not just the University System. The conditions that

needed to be met are that this will be a benefit to Montana economy.

{Tape : 3; Side : A; Approx. Time Counter : 51.2}

Sen. Grosfield noted the need for "Montana specific" research. The opportunities are incredible. He was concerned that there not be too much competition between private directions versus the university trying to get all they can get.

Executive Action

Rep. Swanson **moved** to have a subcommittee on research and development appointed to look at the details of the proposal. Senators Grosfield, Waterman and Representatives Mood and Swanson will serve on that committee and meet at 8:00 Monday, November 30 in Room 104. She suggested the committee look into the structure of the commission and funding source.

Rep. Tuss **seconded** the motion. Sen. Grosfield pointed out that this committee is dealing with the future of Montana and not just the next year or two. He stated there was a need for significant research effort. He said this research will play a big part in jump starting the economy.

A voice vote was taken. The vote was **unanimous**. Senator Grosfield was appointed Chairman of the subcommittee.

MANUFACTURING AND AGRICULTURE EXTENSION SERVICES (Jobs and Income Pamphlet, p.39, Exhibit 1)

Poole related that funding of the Montana Manufacturing Extension Center at Montana State University was needed in order to develop and transfer technologies for agri-businesses.

Will Kissinger provided information about the agriculture task force. He said information needed to be more timely. Information gathering from extension stations out of state would help from reinventing the information. The focus was on gathering and dispensing information. Sen. Taylor asked about the existing program. Poole replied funding was not in the base. It was a one time appropriation of 2 million from science and technology. He stated that a new mechanism was needed to continue to fund this center. This was important for economic development in Montana.

AGRICULTURE CHECK-OFF PROGRAM (Jobs and Income Pamphlet, p.40, Exhibit 1)

Kissinger explained the Agriculture Check Off Program. He said legislation could allow voluntary agri-business check-off programs to fund marketing and research. The opportunity to develop better products and markets will have the effect of increasing producer incomes.

{Tape : 3; Side : A; Approx. Time Counter : 3}

Discussion

Rep. Ohs asked how to move forward as a group package with bills. Poole stated that it was important to keep the package with the committee endorsement. It should remain as an economic development plan or it may become scattered. There may be some need for bills to be drafted. Rep. Ohs said he could see the need for the committee stamp of approval. Rep. Simon suggested blocking a series of numbers on bills in sequence to identify them at the same time. Sen. Taylor said he was in favor of these proposals in one package with the centerpiece being bringing the Business Equipment Tax to zero.

{Tape : 3; Side : A; Approx. Time Counter : 11.4}

Chairman DePratu pointed out the biggest impact would come as a jobs and income package if it could truly provide substantial and real opportunities.

SMALL BUSINESS INNOVATION RESEARCH GRANTS (Jobs and Income Pamphlet, p.41, Exhibit 1)

Poole discussed the strategy which would increase grants awarded from the federal government to increase capital available to Montana companies in developing ideas, adding value to resources and employing people in growing technology businesses in Montana. Sen. Taylor asked about overlaps and whether the University System would provide a grant writer. Poole replied that there were only a handful of people that volunteered to help. The point was to get successful people to help others. They want assistance from the state. He identified Chris Bush from Wyoming who was also a resident of Ronan, Montana, as one who had experience with a successful technology company. There is a need to help pay for services from people like this.

Discussion

Sen. Grosfield pointed out the need for more information regarding the Business Equipment Tax and the ramifications. He asked what each percentage point cost over a six year period or even a shorter time like three years; what kind of money would be needed to reimburse local governments. Mic Robinson said he would coordinate this information.

{Tape : 3; Side : A; Approx. Time Counter : 22.6}

Rep. Swanson asked that the figures be reworked. She asked for an explanation for real property versus business equipment tax. She asked for a comparison with the total tax policy with surrounding states.

Rep. Simon asked for clarification of the use of the business equipment tax in components of a refinery where equipment is permanently attached. Rep. Swanson pointed out this difference in definition whether it is real property and subject to 3.8% or 6% business equipment tax, then it is an entirely different tax consequence.

{Tape : 3; Side : A; Approx. Time Counter : 27.7}

EXHIBIT (joh00a04) EXHIBIT (joh00a05) EXHIBIT (joh00a06) weren't given in any particular order.

ADJOURNMENT

Adjournment: 5:05 P.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/dt

EXHIBIT (joh00aad)